

(UN-AUDITED)

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**ACCOUNTS  
FOR THE 1ST QUARTER ENDED  
SEPTEMBER 30, 2012**





## Directors' Report to the Members

### Operating financial results

We are pleased to present financial information of Zephyr Textiles Limited ("the Company") for the period three months ended September 30, 2012. During this period the Company's sales increased by 20.87%, amounting Rs.868.769 million as compared to Rs.718.778 million in corresponding period. The sales has been increased due to increase in production capacity as compare to the corresponding period. Similarly, the gross profit increased by 3.02% amounting Rs.72.322 million as compared to Rs.70.200 million in corresponding period. The company has earned an after tax profit of Rs. 8.280 million as compared to Rs. 1.550 million in the corresponding period ended September 30, 2011. The increased sales didn't result in better profitability mainly due to increase in input costs and production losses due to interruptions in power and gas supply. In spite of above facts, your company successfully managed to achieve targets with better marketing and financial strategy along with optimum beneficial product mix offered to the customers.

Description	September 30, 2012 Rupees	September 30, 2011 Rupees	Increased/ (Decreased) By %
Sales - net	<b>868,768,598</b>	718,777,569	20.87
Gross Profit	<b>72,322,419</b>	70,200,443	3.02
Operating Profit for the period	<b>46,953,403</b>	53,128,147	(11.62)
Financial charges	<b>36,455,846</b>	46,821,493	(22.14)
Profit/(Loss) for the period before taxation	<b>10,497,557</b>	6,306,654	66.45
Taxation current	<b>(2,217,448)</b>	(4,757,032)	(53.39)
Profit/(Loss) for the period after taxation	<b>8,280,108</b>	1,549,622	434.33
Earning/(Loss) Per Share	<b>0.14</b>	0.03	366.67

Although the company has become profitable in the first quarter, the impact of rising input costs, especially the fuel prices and cost of salaries and wages have forced the company to implement better cash collection strategy to cope with its liquidity/working capital requirements. Despite of shortage of working capital, the company managed to repay the outstanding debt amounting to Rs.45.276 million and outstanding mark up amounting to Rs.18.455 million to the lenders of the company. The increased overhead costs and shortages of gas and electricity severely affected the competitiveness in the international as well as local market. The profitably picture does not truly reflect the underlying cash flow crisis. The uncertain situation of availability of gas and electricity has led to material production losses.

### General market review and future prospects

Today textile industry of Pakistan is facing multiple challenges internally and globally. On domestic front ever increasing production costs, uncertainty about cotton prices and prolonged power and gas shutdowns made it very difficult for the textile companies to survive and compete in the international market as well as in local market. Once again towards the end of the first quarter, the ever increasing fuel and power prices and their massive shortages prompted a drastic impact on business activity and a number of our customers are reluctant in placing orders due to their concern about prevailing power crisis in Pakistan. International buyers are shifting to the other countries of the continent for getting better prices and in time supply. China, India and Bangladesh are the main competitors and threats to the Pakistan textile industry. We hope, this adverse situation, will be encountered in the remaining period of the current financial year because of better cotton crop this year in Pakistan than the rest of the world. We are very optimistic about the next quarter and even the remaining financial year to reap the benefits of cheap cotton in Pakistan as compare to rest of the world which can increase the sales revenue and profitability of the company in future.

### **Specific matters**

We draw attention that The Bank of Punjab filed a suit against the company in the Honorable Lahore High Court, Lahore for recovery of its outstanding loans and mark up thereon aggregating Rs.494.400 million. The Company is contesting the case; however, pending the decision of the Honorable Court. Based on the legal opinion, the Company has not accrued any markup /cost of funds on the said outstanding balance as the Company feels that, after institution of the suit, a financial institution is not entitled to the same and is only entitled to cost of funds if so awarded by the Court in any decree which may be passed by the Court.

The Board of Directors had recommended to pay 10% cash dividend to the shareholders of the Company. The Directors of the Company have waived their right to receive this dividend. This was duly approved by the shareholders of the Company in 13th annual general meeting held on October 31, 2011. The Bank of Punjab obtained a stay order for non payment of such dividend from the Honorable Lahore High Court till repayment of its loans and the matter is still pending adjudication. Pending the decision of the Honorable Lahore High Court, the Company is maintaining this amount as the liability for dividend payable and the funds are being maintained in escrow account.

The company's current liabilities exceeded its current assets by Rs.867.860 million as compared to Rs.882.131 million as at June 30, 2012. To substantiate its going concern assumption, over the last three years the management has been successful in getting its loans restructured/settled with four banks; a restructuring arrangement has also been submitted to another bank and the Company is implementing the same. In addition, an out of court amicable settlement of the case with The Bank of Punjab is also being pursued, without prejudice to the respective contentions. These financial statements have been prepared on a going concern basis on the grounds that the Company will be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management for this purpose, bringing its liabilities to serviceable levels upon restructuring/settlements of loans and availability of adequate working capital from its lenders and sponsors.

### **Restructuring/rescheduling of credit facilities**

The company has already finalized restructuring/rescheduling of certain portion of its liabilities with its lenders and is in negotiation with other lenders for settlement/adjustment of loans through personal properties of the sponsoring directors to facilitate the cash flow of the company. Consequent to the revised agreed terms with its lenders the company has made payment of Rs. 63.731 million towards its mark up and principal liabilities during the 1st quarter under review. The management is confident that upon maturity of offered settlement plans to its lenders the company will be able to attain satisfactory level of viability.

At the end, the directors extend their gratitude to the employees of the company for their team work, commitments, integrity and professionalism.

**For and on behalf of the Board of Directors**



**MUSSAID HANIF**  
Chief Executive

Lahore  
October 30, 2012

## Balance Sheet

as at September 30, 2012 (Un-Audited)

	Note	Un-audited September 30, 2012 Rupees	Audited June 30, 2012 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL</b>			
<b>Authorized share capital</b>			
62,500,000 (2012: 62,500,000) ordinary shares of Rs. 10 each		<u>625,000,000</u>	625,000,000
Issued, subscribed and paid-up share capital 59,428,729 (2012: 59,428,729) ordinary shares of Rs. 10 each		<u>594,287,290</u>	594,287,290
<b>UNAPPROPRIATED LOSS</b>		<u>(153,318,420)</u>	(165,553,829)
		<u>440,968,870</u>	428,733,461
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT &amp; EQUIPMENT</b>		<u>235,911,518</u>	239,866,820
<b>LONG TERM LOANS</b>		<u>45,237,803</u>	74,155,644
<b>DEFERRED LIABILITIES</b>		<u>126,052,807</u>	125,859,615
<b>CURRENT LIABILITIES</b>			
Short term finances - Secured		<u>1,031,631,326</u>	1,036,478,913
Current portion of long term liabilities		<u>662,549,589</u>	674,059,921
Creditors, accrued and other liabilities		<u>219,942,579</u>	217,294,853
Accrued mark - up		<u>234,763,811</u>	209,269,687
		<u>2,148,887,305</u>	2,137,103,374
<b>CONTINGENCIES AND COMMITMENTS</b>	4	-	-
		<u>2,997,058,303</u>	<u>3,005,718,914</u>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property plant & equipment	5	<u>1,713,026,905</u>	1,747,741,937
Long term advances and deposits		<u>3,004,447</u>	3,004,447
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		<u>91,580,443</u>	95,080,930
Stock in trade		<u>713,779,473</u>	721,379,609
Trade debts		<u>333,100,553</u>	247,810,852
Loans and advances		<u>30,074,211</u>	35,575,359
Trade deposits, prepayments and other receivables		<u>80,059,787</u>	85,998,623
Short term investment		<u>4,082,319</u>	57,284,216
Cash and bank balances		<u>28,350,164</u>	11,842,941
		<u>1,281,026,950</u>	1,254,972,530
		<u>2,997,058,303</u>	<u>3,005,718,914</u>

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

  
Chief Executive

  
Director

## Profit and Loss Account

for the 1st Quarter ended September 30, 2012 (Un-Audited)

	Un-audited Jul-Sept 2012 Rupees	Un-audited Jul-Sept 2011 Rupees
<b>SALES</b>	<b>868,768,598</b>	718,777,569
<b>COST OF SALES</b>	<b>796,446,180</b>	648,577,126
<b>GROSS PROFIT</b>	<b>72,322,419</b>	70,200,443
<b>OPERATING EXPENSES</b>		
Distribution costs	<b>15,516,047</b>	11,253,543
Administrative	<b>10,889,694</b>	8,306,305
	<b>26,405,741</b>	19,559,848
	<b>45,916,678</b>	50,640,595
Other operating expenses	<b>757,327</b>	465,969
	<b>45,159,351</b>	50,174,626
OTHER OPERATING INCOME	<b>1,794,052</b>	2,953,521
<b>OPERATING PROFIT</b>	<b>46,953,403</b>	53,128,147
FINANCE COSTS	<b>36,455,846</b>	46,821,493
<b>PROFIT BEFORE TAXATION</b>	<b>10,497,557</b>	6,306,654
TAXATION	<b>2,217,448</b>	4,757,032
<b>PROFIT AFTER TAXATION</b>	<b>8,280,108</b>	1,549,622
<b>EARNING PER SHARE-BASIC &amp; DILUTED</b>	<b>0.14</b>	0.03

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

  
Chief Executive

  
Director

## Statement of Comprehensive Income

for the 1st Quarter ended September 30, 2012 (Un-Audited)

	Un-audited Jul-Sept 2012 Rupees	Un-audited Jul-Sept 2011 Rupees
<b>Profit for the period after taxation</b>	<b>8,280,108</b>	1,549,622
<b>Other Comprehensive Income:</b>		
Other comprehensive income for the period	-	-
<b>Total Comprehensive income for the period</b>	<b>8,280,108</b>	1,549,622

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

  
Chief Executive

  
Director

## Cash Flow Statement

for the 1st Quarter ended  
September 30, 2012 (Un-Audited)

	Un-audited Jul-Sept 2012 Rupees	Un-audited Jul-Sept 2011 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit for the period before taxation</b>	10,497,557	6,306,654
<b>Adjustments for:</b>		
Depreciation	35,425,328	37,648,521
Loss / (Gain) on re-measurement of short term investments	(413,431)	441,704
Dividends, capital (gains)/ Loss & other (Income)/Expense	115,327	(2,332,580)
Provision for staff gratuity	3,209,163	2,867,859
Financial charges	36,455,846	46,821,493
	<u>74,792,233</u>	<u>85,446,997</u>
	85,289,790	91,753,651
<b>(Increase)/Decrease in current assets</b>		
Stores, spares and loose tools	3,500,487	11,442,899
Stock in trade	7,600,136	48,780,400
Trade debts	(85,289,701)	(35,060,979)
Loans and advances	5,501,148	(4,555,360)
Trade deposits, prepayments & other receivables	4,398,266	14,745,984
	<u>(64,289,664)</u>	<u>35,352,944</u>
<b>Increase in current liabilities</b>		
Creditors, accrued and other liabilities	10,141,515	(47,770,498)
	<u>31,141,641</u>	<u>79,336,097</u>
<b>Cash flow from operations</b>	31,141,641	79,336,097
Financial charges paid	(18,455,431)	(17,080,978)
Taxes paid	(2,806,656)	(3,155,587)
Gratuity paid	(886,200)	(980,900)
	<u>(22,148,287)</u>	<u>(21,217,465)</u>
<b>Net cash flow from operating activities (A)</b>	8,993,354	58,118,632
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale proceeds of short term investment	53,499,929	57,310,080
Fixed capital expenditure	(710,299)	(3,874,145)
<b>Net cash flow from investing activities (B)</b>	52,789,630	53,435,935
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Short term finances - secured	(4,847,587)	(77,527,989)
Long term loans	(40,428,173)	(28,077,412)
<b>Net cash flow from financing activities (C)</b>	(45,275,761)	(105,605,401)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	16,507,223	5,949,166
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	11,842,941	21,744,035
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>28,350,164</u>	<u>27,693,201</u>

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

  
Chief Executive

  
Director



## Statement of Changes in Equity

for the 1st Quarter ended September 30, 2012 (Un-Audited)

Description	Paid Up Capital	Unappropriated Profit	Total
<b>Balance as at June 30, 2011</b>	<b>594,287,290</b>	<b>(192,134,103)</b>	<b>402,153,187</b>
Net Profit for the period	-	1,549,622	1,549,622
Final Dividend for the year ended June 30, 2011 @ Rs.1 per share	-	(8,656,298)	(8,656,298)
Current year incremental depreciation - net of tax	-	4,440,785	4,440,785
<b>Balance as at September 30, 2011</b>	<b>594,287,290</b>	<b>(194,799,994)</b>	<b>399,487,296</b>
<b>Balance as at June 30, 2012</b>	<b>594,287,290</b>	<b>(165,553,829)</b>	<b>428,733,461</b>
Net Profit for the period	-	8,280,108	8,280,108
Current year incremental depreciation - net of tax	-	3,955,301	3,955,301
<b>Balance as at September 30, 2012</b>	<b>594,287,290</b>	<b>(153,318,420)</b>	<b>440,968,870</b>

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

  
Chief Executive

  
Director

## Notes to the Accounts

for the 1st Quarter ended September 30, 2012 (Un-Audited)

1. These financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting".
2. These financial statements are un-audited and are being submitted to shareholders as required by Section 245 of the Companies Ordinance, 1984.
3. The accounting policies adopted for the preparation of the accounts are the same as those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2012.

#### 4. Contingencies and Comitments

##### 4.1 Commitments

Commitments against irrevocable letters of credit for import of machinery and raw material as at September 30, 2012 amounting to Rs. 2.22 million (June 2012: Rs. 7.30 million)

##### 4.2 Others

There are no other significant activities since June 30, 2012 affecting financial Statements.

5. Following is the cost of fixed assets that have been added / disposed off during the quarter ended:

	Un-audited	Audited
	Sept 30, 2012 Rupees	June 30, 2012 Rupees
Additions in fixed assets	710,299	103,204,853
Deletions in fixed assets	-	28,124,754
Additions in capital work in Progress	-	2,822,256
Transfers from capital work in Progress	-	82,151,374
<b>6. EARNING PER SHARE - BASIC</b>		
Profit / (loss) after tax	8,280,108	14,928,943
Weighted average number of ordinary shares	59,428,729	59,428,729
Earning / (loss) per share - basic	<u>0.14</u>	<u>0.25</u>

#### 7. DATE OF AUTHORISATION

These accounts have been approved by Board of Directors on October 30, 2012.

#### 8. COMPARATIVE FIGURES

Have been rearranged / reclassified wherever necessary for the purpose of comparison. Have been rounded off to the nearest rupee.

  
Chief Executive

  
Director



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